

Dear Fellow Shareholder,

Investment portfolio performance

In April, Australian equities performed on the back of easing inflation with the S&P/ASX All Ordinaries Accumulation Index increasing 1.8%. The Dow Jones Industrial Average Index increased 2.5% in local terms and the MSCI World Index (AUD) increased 3.1% during the month.

The Future Generation Australia (ASX: FGX) investment portfolio increased 1.9%* for the month, outperforming the S&P/ASX All Ordinaries Accumulation Index which rose 1.8%. The Future Generation Global (ASX: FGG) investment portfolio increased 2.1%* in April, while the MSCI AC World Index (AUD) rose 2.7%.

Shareholder Presentations

Thank you for attending our Shareholder Presentations over the past three weeks in Noosa, Canberra, Sydney, Perth, Adelaide, Hobart, Melbourne and Brisbane. It was great to see more than 1,900 of you in person. I hope you enjoyed the opportunity to hear from some of our leading pro bono fund managers and social impact partners. These events are for you, our shareholders, and we would love to hear your thoughts on ways we can improve. If you attended, please take a few minutes to provide feedback [here](#). If you were unable to attend, you can access the full recording of our Sydney Shareholder Presentation [here](#).

Fund manager panel with the Australian Financial Review (AFR)

Following our Sydney and Melbourne Shareholder Presentations, the AFR hosted panels with some of our pro bono fund managers, discussing their market outlook and stock picks. James Thomson, Chanticleer columnist at the AFR, led the discussion in Sydney with Jacob Mitchell, Mike Baird AO and Geoff Wilson AO. In Melbourne, James interviewed Nick Munro, David Paradise AO, Matthew Haupt and Geoff Wilson AO. Read the coverage; [Inflation has peaked \(for now\) and rates might have too, Antipodes' Jacob Mitchell sticks with big tech and AI, Two 'hated' stocks these top fund managers are buying](#) and [Top fundies name 16 stocks for rougher markets](#).

*Investment portfolio performance is before expenses, fees and taxes to compare to the relevant indexes which are also before expenses, fees and taxes.

Change of company name

At the Annual General Meetings on Wednesday 26 April 2023, resolutions were passed to change the legal name of Future Generation Investment Company Limited to Future Generation Australia Limited, and Future Generation Global Investment Company Limited to Future Generation Global Limited. The Companies' legal names now align with the names that the Companies are commonly referred to.

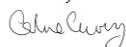
Media coverage

During the month, I spoke to 6PR Perth radio to showcase Future Generation's unique model of investment and social returns, which you can listen to [here](#). Several of our pro bono fund managers were also interviewed by Money Talks. You can listen to the most recent interview with Matthew Kidman, Principal and Portfolio Manager of Centennial Asset Management [here](#). Other fund managers including Oscar Oberg, Lead Portfolio Manager at Wilson Asset Management and Tom Richardson, Lead Portfolio Manager at Paradise Investment Management also shared their market outlook and commentary earlier in the month.

It was great to see Human Nature, one of our Future Generation Global social impact partners, featured on A Current Affair. It started as an expedition-focused program for young people with behavioural, social and mental health issues who were falling through the cracks of conventional services. We encourage you to [watch](#) the 6 minute video to learn more about Human Nature's important work.

For this month's [Meet the Manager](#) we spoke with Dr. David Allen, Head of Long/Short Strategies and Co-Head of Research at Plato Investment Management who presented at our Shareholder Presentation in Hobart. David discusses his outlook on equity markets, Plato's unique 'red flag' system and why managing Future Generations funds is important to him.

Thank you and best wishes,



Caroline Gurney
CEO, Future Generation



\$65.2m

SOCIAL
INVESTMENT
TO 2022



\$5.9m

Future
Generation
Australia
2022

\$6.4m

Future
Generation
Global
2022

2022 total social investment

\$12.3m

2022 savings on management fees, performance fees and service provider fees forgone

Savings on management fees, performance fees and service provider fees forgone since inception

\$16.2m

\$112.3m

Investment portfolio performance

The below NTA figures are after the fully franked final dividend of 3.25 cents per share paid on 24 April 2023. The shares traded ex-dividend on 12 April 2023.

Net tangible assets before tax cum dividend	Net tangible assets before tax ex dividend	Dividends paid since inception (per share)
132.90c	129.65c	39.8c
Net tangible assets after tax and before tax on unrealised gains	Gross assets	Profits reserve (per share)
129.49c	\$531.4m	27.2c
Net tangible assets after tax	Market capitalisation [#]	Fully franked dividend yield [#]
125.51c	\$454.8m	5.8% Grossed-up dividend yield: 8.3% ^{^^}

[#]Based on the 28 April 2023 share price of \$1.12 per share and the FY22 fully franked full-year dividend of 6.5 cents per share. Future Generation Australia has 406,064,249 shares on issue. During the month, 1,007,041 shares were issued under the Dividend Reinvestment Plan for the final dividend and 3,985 options were exercised and allotted under the Bonus Issue of Options. On 28 April 2023, the Future Generation Australia options lapsed.

^{^^}Grossed-up dividend yield includes the benefit of franking credits and is based on a tax rate of 30.0%.

Investment portfolio performance at 30 April 2023	Since inception								Volatility [*]
	1 mth	Fin YTD	6 mths	1 yr	3 yrs %pa	5 yrs %pa	7 yrs %pa	(Sept-14) %pa	
Future Generation Australia	1.9%	5.3%	5.4%	-1.9%	13.8%	7.6%	8.9%	8.7%	12.0%
S&P/ASX All Ordinaries Accumulation Index	1.8%	5.4%	8.5%	1.5%	14.4%	8.4%	9.3%	7.7%	14.6%

Investment portfolio performance is before expenses, fees and taxes to compare to the relevant index which is also before expenses, fees and taxes.

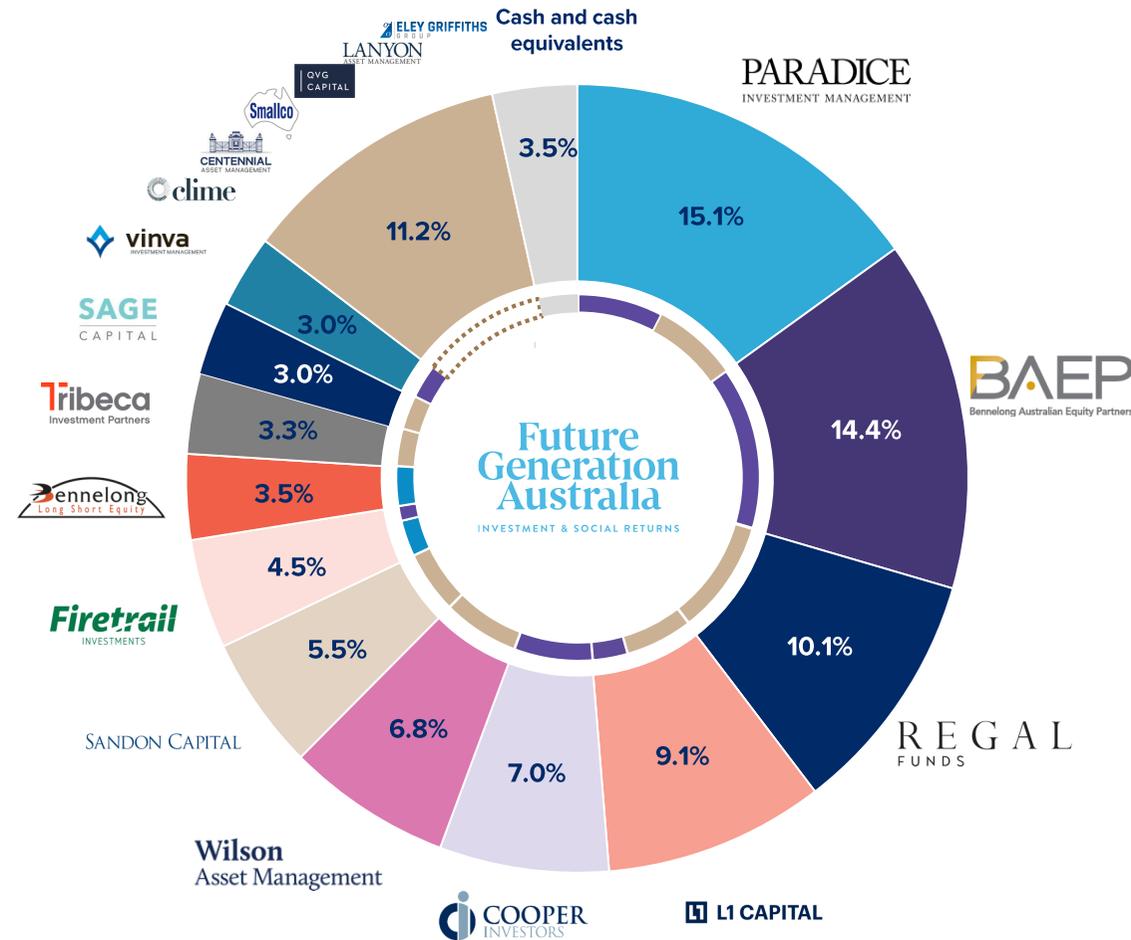
^{*}Volatility is measured by standard deviation

Future Generation Australia Limited (ASX: FGX)

ABN: 97 063 935 553

Fund manager allocations

0% management fees
0% performance fees



11.2% fund manager breakdown

Fund Manager	Allocation (%)	Asset Class	Allocation (%)
Clime Investment Management	2.9%	Absolute bias	45.9%
Centennial Asset Management	2.5%	Long equities	43.9%
Smallco Investment Manager	2.0%	Market neutral	6.7%
QVG Capital	1.5%	Cash	3.5%
Lanyon Asset Management	1.2%		
Eley Griffiths Group	1.1%		

Investment portfolio performance

The below NTA figures are **after** the fully franked final dividend of 3.5 cents per share that was paid on 21 April 2023. The shares traded ex-dividend on 11 April 2023.

Net tangible assets before tax** cum dividend	Net tangible assets before tax** ex dividend	Profits reserve (per share)
144.86c	141.36c	47.8c
Net tangible assets after tax and before tax on unrealised gains	Gross assets	Fully franked dividend yield#
141.63c	\$565.3m	6.0% Grossed-up dividend yield: 8.6%**
Net tangible assets after tax	Market capitalisation#	ESG aware^ (of the portfolio)
136.87c	\$459.7m	98.3%

**The NTA before tax is after the tax refund of \$385k (0.10 cents per share) for the 2022 financial year, which was received during the month.

#Based on the 28 April 2023 share price of \$1.16 per share and the FY22 fully franked full-year dividend of 7.0 cents per share. Future Generation Global has 396,293,447 shares on issue. During the month, 982,654 shares were issued under the Dividend Reinvestment Plan for the final dividend.

**Grossed-up dividend yield includes the benefit of franking credits and is based on a tax rate of 30.0%.

#As reported in the 2022 Annual Report.

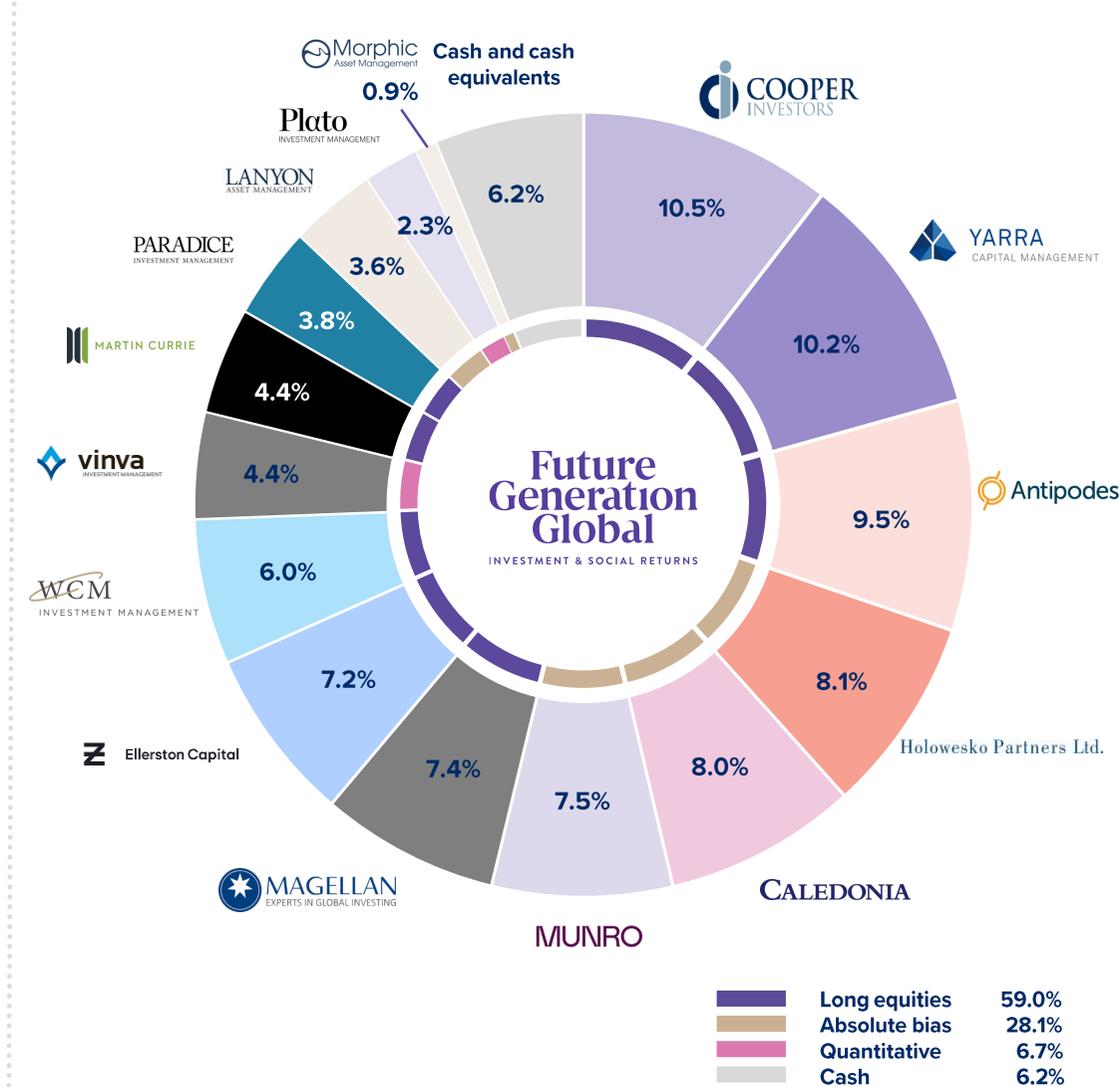
Investment portfolio performance at 30 April 2023	Since inception								Volatility
	1 mth	Fin YTD	6 mths	1 yr	3 yrs %pa	5 yrs %pa	7 yrs %pa	%pa (Sept-15)	
Future Generation Global	2.1%	11.0%	10.2%	9.4%	6.3%	7.1%	9.2%	7.8%	9.9%
MSCI AC World Index (AUD)	2.7%	12.2%	8.9%	9.3%	11.5%	9.9%	11.3%	9.9%	10.9%

Investment portfolio performance is before expenses, fees and taxes to compare to the relevant index which is also before expenses, fees and taxes.

*Volatility is measured by standard deviation.

Fund manager allocations

0% management fees
0% performance fees



Long equities	59.0%
Absolute bias	28.1%
Quantitative	6.7%
Cash	6.2%

Meet the Manager

Dr. David Allen **Head of Long/Short Strategies and** **Co-Head of research** **at Plato Investment Management**

Plato

INVESTMENT MANAGEMENT

We are very grateful that you manage money pro bono for Future Generation. Why do you do it?

I love ideas that bring the for-profit and not-for-profit sectors together. The for-profit sector is absolutely critical if we are going to provide funding for the incredible programs run by not-for-profits. I was just down in Hobart for the Future Generation investor roadshow and I got to hear about what Big hART (one of FGG's new social impact partners) is doing - and it is just so inspiring. I'm president of a rugby club and I probably spend 15 hours a week involved in that. It's about rugby, sure, but it's more about the beating hub of the community. The club brings everyone together, from young to old, and that's so important, especially after COVID where we lost a lot of connectedness. Programs like the ones Big hART runs are right up that alley, bringing people together, finding out the aptitudes of young people and then nurturing them. These types of community programs are important to me and it's an honour to be involved in Future Generation, which promotes them.

You launched the Plato Global Alpha Fund in January of last year. How is it performing?

We launched the fund right before Russia invaded Ukraine and energy prices went through the roof, and that has provided a bit of a headwind for the fund. But because the climate aspect of the fund is not the principal driver, we have still performed very well. After fees, we've outperformed the MSCI World Net Return Unhedged Index by 8.5 per cent and before fees, we've outperformed the index by well over 10 per cent.

It's been a shaky start to the year on equity markets. What is your outlook for the rest of the year?

We are just over halfway through the US reporting season and it has been surprisingly strong. 55 per cent of US companies have reported. Of those, almost 80 per cent have beaten expectations on revenue, and about 75 per cent have beaten on earnings. Before that, the consensus was that US earnings for the year would shrink by 5.5 per cent, but that's now been revised to 2.5 per cent.

The key question is how long companies can remain resilient as interest rates go higher because, in my view, rates still have further to go. If you look at inflation, parts of the market, like energy and food, have come down, but the remaining sectors have been very rigid. It's going to be a lot more difficult than people expected to get inflation back below the Fed's stated target of 2 per cent. Unless the Fed abandons this target - which would be a huge step - we are going to need interest rates to be well above where they are now. Core inflation is still running at 4-5 per cent, which is a long way from 2 per cent. Will interest rates of 6 per cent interest rates get us to the target? I don't know, but I do think the Fed is going to keep raising rates until something breaks. This bodes poorly for growth companies that are reliant on interest rates out into the future.

In terms of how this relates to the Australian outlook, you have got to remember that we have just emerged from a period of incredibly low interest rates and incredible liquidity. That has created asset bubbles. The number of so-called "zombie companies" is near record levels in Australia and the US. These are companies that earn just enough money to service their debts, but can't pay off their debt. Naturally, as interest rates get up to more difficult levels, these companies are coming unstuck. As a result, most of the Alpha we've generated recently has been on the short side. At Plato, we have a "Red Flag" system that helps us identify companies to short or just avoid. Looking at what this system is spotting, I think this is going to be a once-in-a-generation opportunity for active managers. If you take a passive, index-like approach and own everything, you could be in for trouble. There are a lot of companies out there that you definitely don't want to be in!



You rely heavily on your "Red Flag" system, so can you tell me how it came about?

The idea came about back in 2014, when I was working at JP Morgan in London. I had invested in a Spanish public Wi-Fi company, Let's Gowex, and it had been an incredible investment. The stock had gone up 40-fold and we were all patting ourselves on the back, thinking that we were geniuses. Then the Spanish Prime Minister came out and praised the company as the leading light in the European economy, and it was like the kiss of death. A couple of weeks later, they uncovered a huge accounting fraud, the CEO was indicted, and the stock price went to zero. That was obviously a very painful experience, but we said, "Okay, well let's make damn sure we don't make the same mistake twice." So, we did a post mortem and found we'd missed some pretty basic stuff. The first was that Let's Gowex used an auditor that no one else was using and paying that auditor a very unusual amount. Being evidence-based investors, we decided to get 10 years of data across 10 countries and identify every instance where a company was using an obscure auditor. What we found is that, on average, you want to stay away from those names. It seems to be that, in almost every corporate scandal that comes out, this "red flag" is present. For example, with Adani, they were using an auditor that was very junior and not used to dealing with complex companies. At FTX, they were using auditors that weren't really of the scale that was required.

We then thought, "Ok, that's one red flag we should be aware of every time we invest, but what are the other red flags that we are potentially missing?" So, we got our hands on every corporate fraud, bankruptcy or downfall that we could and built up this system of red flags. These include related party transactions, special purpose vehicles, remuneration structures where shareholder value isn't aligned with fundamentals and so on. We now have 126 red flags and we apply them to all 10,000 companies that we look at globally.

Read the full interview [here](#).

The Future Generation companies provide exposure to leading Australian and global fund managers

Future Generation Australia fund managers



Future Generation Global fund managers



Future Generation Global

INVESTMENT & SOCIAL RETURNS

Social impact partners

Over the past three weeks several of Future Generation Global's social impact partners joined us at our Shareholder Presentations across Australia, sharing how and why their incredible organisations are addressing the youth mental health crisis.

A special thanks to:

- Ally Kelly, Mind Blank
- Stephen Carbone, Prevention United
- Lucy Thomas OAM, PROJECT ROCKIT
- Addie Wootten, Smiling Mind
- Erin Faehrmann, Youth Opportunities
- Scott Rankin & Kaytlyn Johnson, Big hART
- Bernard Galbally, Youth Live4Life
- Zoe Black, Happy Paws Happy Hearts

To learn more, please read a recap from our social impact partners [here](#).



For more information, visit <https://futuregeninvest.com.au/>

Our social impact partners



Our pro bono service providers



**Fund manager
allocation and
investments at
market value as at
30 April 2023**

Fund Manager	Investment	Strategy	% of Gross Assets
	Mid Cap/Equity Alpha Plus Funds (split out below)		15.1%
Paradice Investment Management	Paradice Australian Mid Cap Fund	Long equities	7.6%
	Paradice Equity Alpha Plus Fund	Absolute bias	7.5%
Bennelong Australian Equities Partners	Bennelong Australian Equities Fund	Long equities	14.4%
Regal Funds Management	Regal Australian Long Short Equity Fund	Absolute bias	10.1%
	Long Short/Catalyst Funds (split out below)		9.1%
L1 Capital	L1 Capital Long Short Fund	Absolute bias	6.0%
	L1 Capital Catalyst Fund	Long equities	3.1%
Cooper Investors	Cooper Investors Australian Equities Fund	Long equities	7.0%
Wilson Asset Management	Wilson Asset Management Equity Fund	Absolute bias	6.8%
Sandon Capital	Sandon Capital Activist Fund	Absolute bias	5.5%
	Absolute Return/High Conviction Funds (split out below)		4.5%
Firetrail Investments	Firetrail Absolute Return Fund	Market neutral	3.2%
	Firetrail High Conviction Fund	Long equities	1.3%
Bennelong Long Short Equity Management	Bennelong Long Short Equity Fund	Market neutral	3.5%
Tribeca Investment Partners	Tribeca Alpha Plus Fund	Absolute bias	3.3%
Sage Capital	Sage Capital Equity Plus Fund	Absolute bias	3.0%
Vinva Investment Management	Vinva Australian Equities Fund	Long equities	3.0%
Clime Investment Management	Clime Australian Equities Fund	Long equities	2.9%
Centennial Asset Management	The Level 18 Fund	Absolute bias	2.5%
Smallco Investment Manager	Smallco Broadcap Fund	Long equities	2.0%
QVG Capital	QVG Opportunities Fund	Long equities	1.5%
Lanyon Asset Management	Lanyon Australian Value Fund	Absolute bias	1.2%
Eley Griffiths Group	Eley Griffiths Group Small Companies Fund	Long equities	1.1%
	Cash and cash equivalents		3.5%

**Fund manager
allocation and
investments at
market value as at
30 April 2023**

Fund Manager	Investment	Strategy	% of Gross Assets
Cooper Investors	Cooper Investors Global Equities Fund (Unhedged)	Long equities	10.5%
Yarra Capital Management	Yarra Global Share Fund	Long equities	10.2%
Antipodes Partners	Antipodes Global Fund - Long	Long equities	9.5%
Holowesko Partners	Holowesko Global Fund Limited - Class A	Absolute bias	8.1%
Caledonia	Caledonia Global Fund	Absolute bias	8.0%
Munro Partners	Munro Global Growth Fund	Absolute bias	7.5%
Magellan Asset Management	Magellan Global Fund	Long equities	7.4%
Ellerston Capital	Ellerston Global Mid Small Cap Fund	Long equities	7.2%
WCM Investment Management	WCM Quality Global Growth Fund (Hedged)	Long equities	6.0%
Vinva Investment Management	Vinva International Equity Fund	Quantitative	4.4%
Martin Currie Investment Management	Martin Currie Global Long-term Unconstrained Fund	Long equities	4.4%
Paradice Investment Management	Paradice Global Small Mid Cap Fund (Unhedged)	Long equities	3.8%
Lanyon Asset Management	Lanyon Global Value Fund	Absolute bias	3.6%
Plato Investment Management	Plato Global Alpha Fund – Class Z	Quantitative	2.3%
Morphic Asset Management	Morphic Ethical Equities Fund Limited	Absolute bias	0.9%
	Cash and cash equivalents		6.2%